

**WAVERLY-SHELL ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2009

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WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Cheryl Elsbury-Reiher	President	2009
John Englin		2008
David Sage		2008
Nancy Luebbers		2009
Dennis Epley		2008

(After September 2008 Election)

Cheryl Elsbury-Reiher	President	2009
David Sage	Vice President	2011
John Englin		2011
Nancy Luebbers		2009
Dennis Epley		2011

School Officials

Jere Vyverberg	Superintendent
Dennis Stufflebeam	District Secretary
Linda Hildreth	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Waverly-Shell Rock Community School District, Waverly, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Waverly-Shell Rock Community School District at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2010 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce D. Frink
Certified Public Accountant

March 26, 2010

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waverly-Shell Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The City of Waverly experienced a major flood on June 12, 2008. The old sunken gym at the junior high was badly damaged. The flood insurance on the junior high only paid \$20,659; the school had to call the adjuster back three times to even get that much money. Southeast Elementary did experience about a foot of water inside the school. Washington Irving was basically ruined by flood waters and underground seepage from the dry run.
- The District had revenues of \$17,938,476 and \$19,797,276 was spent during the fiscal year. The District's financial solvency ratio as of June 30, 2009 was -4.1%. The financial solvency ratio as of June 30, 2008 was 8.71%.
- The District experienced an increase in certified enrollment. The October 2007 enrollment was 1894.8, while the October 1, 2008 enrollment was 1916.4.
- The number of net open-enrolled students decreased from 69 in fiscal year 2008 to 53 in fiscal year 2009.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District. The District took in over \$41,069 in tuition from neighboring districts that sent students to Waverly-Shell Rock's alternative high school.
- The District continued to share a physical education teacher and a guidance counselor with the Janesville Consolidated School District. This has allowed for some cost savings.
- The State of Iowa deducted a total of \$45,134 from the State Foundation Aid payments to the District to help support the state's juvenile homes during fiscal year 2009. The State of Iowa had deducted \$55,086 during the 2008 fiscal year. The state also did an across the board cut, which took \$123,324 from the District's budget.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Waverly-Shell Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Waverly-Shell Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Waverly-Shell Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Waverly-Shell Rock Community School District Annual Financial Report

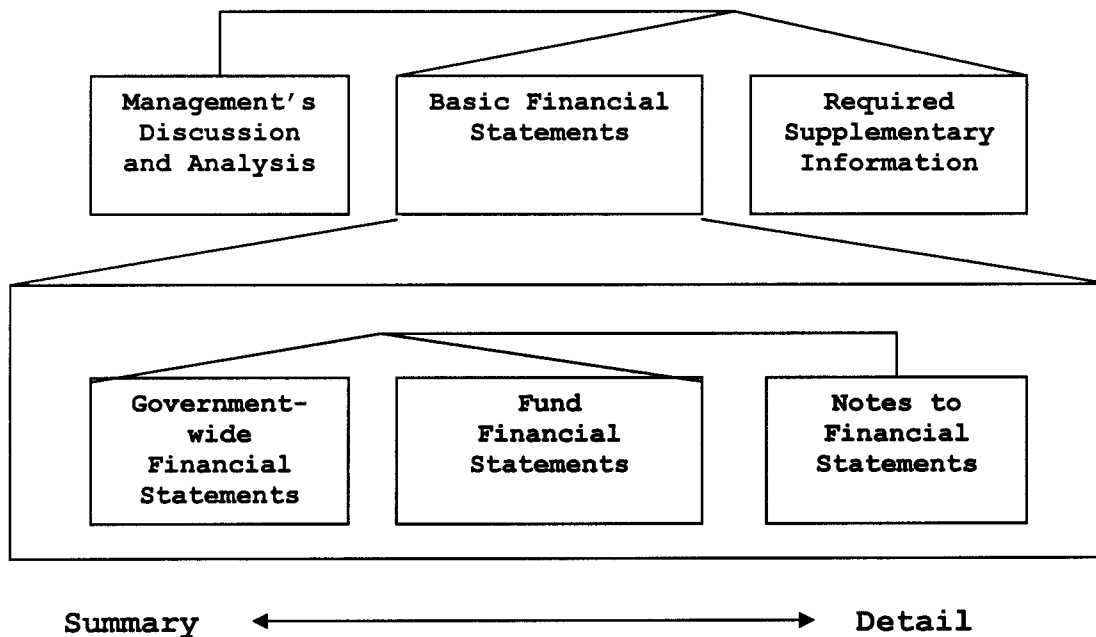


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and account for certain federal and/or state grants on behalf of other District's and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	2008-2009
Current assets	\$ 11,558	11,227	134	213	11,692	11,440	2.20%
Capital assets	14,353	13,284	35	76	14,388	13,360	7.14%
Total assets	<u>25,911</u>	<u>24,511</u>	<u>169</u>	<u>289</u>	<u>26,080</u>	<u>24,800</u>	<u>4.91%</u>
Current liabilities	8,787	7,400	12	41	8,799	7,441	15.43%
Non-current liabilities	6,123	6,823	-	-	6,123	6,823	-11.43%
Total liabilities	<u>14,910</u>	<u>14,223</u>	<u>12</u>	<u>41</u>	<u>14,922</u>	<u>14,264</u>	<u>4.61%</u>
Net Assets							
Invested in capital assets, net of related debt	8,748	6,769	35	77	8,783	6,846	22.05%
Restricted	2,670	1,482	-	-	2,670	1,482	44.49%
Unrestricted	(417)	2,037	122	171	(295)	2,208	-113.36%
Total net assets	<u>\$ 11,001</u>	<u>10,288</u>	<u>157</u>	<u>248</u>	<u>11,158</u>	<u>10,536</u>	<u>5.90%</u>

The District's combined net assets increased 6% over the prior year. The largest portion of the District's net assets is capital assets.

Invested in capital assets (cost of land, buildings and equipment less related debt) increased 22% due to additional debt being issued, but related construction costs not yet being incurred.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 44% over the prior year due to increase in capital projects fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenant, enabling legislation or other legal requirements decreased 113%. This decrease in unrestricted net assets was primarily a result of the District's decrease in the General Fund.

Figure A-4 show the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,237	1,114	715	684	1,952	1,798	8.57%
Operating grants, contributions and interest	3,334	3,125	292	269	3,626	3,394	6.84%
Capital grants, contributions and interest	118	223	-	-	118	223	-47.09%
General revenues:							
Property tax	5,860	5,600	-	-	5,860	5,600	4.64%
Income surtax	753	682	-	-	753	682	10.41%
Statewide sales and services tax	1,113	1,033	-	-	1,113	1,033	7.74%
Unrestricted state grants	7,320	7,044	-	-	7,320	7,044	3.92%
Unrestricted investment earnings	20	6	-	-	20	6	233.33%
Other	2,500	220	-	-	2,500	220	1036.36%
Total revenues	22,255	19,047	1,007	953	23,262	20,000	16.31%
Program expenses:							
Governmental activities:							
Instruction	14,006	12,143	-	-	14,006	12,143	15.34%
Support Services	6,663	4,499	-	-	6,663	4,499	48.10%
Non-instructional programs	-	-	1,062	991	1,062	991	7.16%
Other expenses	1,402	1,364	-	-	1,402	1,364	2.79%
Total expenses	22,071	18,006	1,062	991	23,133	18,997	21.77%
Change in net assets	\$ 184	1,041	(55)	(38)	129	1,003	-87.14%

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$22,254,255 and expenses were \$22,070,600 for the year ended June 30, 2009. Revenues from governmental activities were \$183,655 greater than the expenditures for governmental activities.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ending June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
2009	2008	2008-2009	2009	2008	2008-2009	
Instruction	\$ 14,006	12,143	15.34%	10,310	8,837	16.67%
Support services	6,663	4,499	48.10%	6,478	4,200	54.24%
Other expenses	<u>1,402</u>	<u>1,364</u>	<u>2.79%</u>	<u>594</u>	<u>507</u>	<u>17.16%</u>
Totals	<u>\$ 22,071</u>	<u>18,006</u>	<u>22.58%</u>	<u>17,382</u>	<u>13,544</u>	<u>28.34%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,236,886.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,772,082.
- The net cost of governmental activities was financed with \$5,859,475 in property tax, \$7,320,107 in state foundation aid and \$20,325 in interest income.

Business Activities

Revenues for the District's School Nutrition Fund were \$1,006,683 and expenses were \$1,061,875. The revenues include: charges for services, contributions and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, school employee groups and such groups as Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks for these groups when directed by the group. These funds are not to be used to support the regular operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$1,932,613, which is 33% less than last year's ending fund balance of \$2,899,554.

Governmental Fund Highlights

- The District has been controlling the decline of its General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District have helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District is using statewide sales and services tax dollars to add a gym and auditorium to the senior high school.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

Actual revenues were less than budgeted amounts by \$416,758 primarily due to receiving less miscellaneous revenues than budgeted. Actual expenses were less than budgeted amounts by \$77,388. This was due to the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. Also, the budget was amended to reflect a \$4,026,722 increase primarily for new construction and flood damages. As a result, the Districts' certified budget should always exceed the actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2008, the District has invested more than \$14.3 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses and other vehicles, library holdings and textbooks. Total depreciation for the year exceeded \$462,000.

Long-term Debt

The District paid off its remaining general obligation school bonds. The District makes principal and interest payments yearly on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The District owes \$5,605,000 of revenue bonds for the construction of an addition to the high school in October 2005. This remains to be paid over the next 7 years with proceeds from the statewide sales and services tax.

During the current year, the District issued \$2,780,000 of revenue bonds for the high school addition. Interest only will be paid for 7 years and principal will be paid from FY15 through FY22.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Washington Irving School will have to be replaced due to the flood ruining the building. FEMA and Iowa Homeland Security are promising the school significant financial help. Currently the district is spending \$16,500 to rent space in a mall/office complex to house the school for fifth and sixth graders.

- The Board of Education held a bond referendum on April 7, 2009 to build a new school for all district students in grade 5 through 8. This building would replace Washington Irving School that was totally ruined in the June 12th flood and it also would replace the junior high school that is over 82 years old.
- The District levied \$195,000 allowable growth for dropout prevention.
- The District's employee group health insurance did not increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the district increased \$275,896 from fiscal year 2008 to fiscal year 2009. Property tax dollars for the General Fund increased \$376,133 from fiscal year 2008 to fiscal year 2009.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community Schools, 1415 4th Avenue SW, Waverly, Iowa 50677.

Basic Financial Statements

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,792,289	77,066	3,869,355
Receivables:			
Property tax:			
Current year	30,566	-	30,566
Succeeding year	6,088,276	-	6,088,276
Succeeding year income surtax	617,567	-	617,567
Due from other governments	1,005,760	20,956	1,026,716
Inventories	-	36,197	36,197
Prepaid expenses	23,408	-	23,408
Capital assets, net of accumulated depreciation	14,353,414	34,900	14,388,314
Total assets	<u>25,911,280</u>	<u>169,119</u>	<u>26,080,399</u>
Liabilities			
Accounts payable	311,375	-	311,375
Accrued salary and benefits	1,569,163	11,789	1,580,952
Short term note payable	539,869	-	539,869
Accrued interest payable	18,806	-	18,806
Deferred revenue:			
Succeeding year property tax	6,088,276	-	6,088,276
Federal programs	259,444	-	259,444
Long term liabilities:			
Portion due within one year:			
Revenue bonds payable	525,000	-	525,000
Early retirement payable	150,947	-	150,947
Portion due after one year:			
Revenue bonds payable	5,080,000	-	5,080,000
Early retirement payable	300,992	-	300,992
Net OPEB liability	65,671	-	65,671
Total liabilities	<u>14,909,543</u>	<u>11,789</u>	<u>14,921,332</u>
Net assets			
Invested in capital assets, net of related debt	8,748,414	34,900	8,783,314
Restricted for:			
Management levy	353,063	-	353,063
Debt service	49,737	-	49,737
Capital projects	1,798,985	-	1,798,985
Health insurance	239,559	-	239,559
Categorical funding	228,848	-	228,848
Unrestricted	(416,869)	122,430	(294,439)
Total net assets	<u>\$ 11,001,737</u>	<u>157,330</u>	<u>11,159,067</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 14,005,776	1,052,570	2,643,690	(10,309,516)	-	(10,309,516)
Support services:						
Student services	373,380	-	-	(373,380)	-	(373,380)
Instructional staff services	609,775	-	-	(609,775)	-	(609,775)
Administration services	1,535,002	-	-	(1,535,002)	-	(1,535,002)
Operation and maintenance of plant services	3,430,304	892	-	(3,429,412)	-	(3,429,412)
Transportation services	714,770	-	-	(530,454)	-	(530,454)
	6,663,231	892	-	(6,478,023)	-	(6,478,023)
Other expenditures:						
Facilities acquisition	5,499	-	118,234	112,735	-	112,735
Interest on long term debt	251,092	394	-	(250,698)	-	(250,698)
Long-term debt service	800	-	-	(800)	-	(800)
AEA flowthrough	688,570	688,570	-	-	-	-
Depreciation (unallocated)*	455,632	-	-	(455,632)	-	(455,632)
	1,401,593	688,964	118,234	(594,395)	-	(594,395)
Total governmental activities	22,070,600	3,333,546	118,234	(17,381,934)	-	(17,381,934)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses						
1,061,875	714,823	291,860	-	-	(55,192)	(55,192)
\$ 23,132,475	1,951,709	3,625,406	118,234	(17,381,934)	(55,192)	(17,437,126)
Business Type activities:						
Non-instructional programs:						
Nutrition services						
Total						
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,914,603	-	4,914,603
Management fund				362,860	-	362,860
Debt service				411,491	-	411,491
Capital outlay				170,521	-	170,521
Income surtax				753,108	-	753,108
Statewide sales and services tax				1,112,832	-	1,112,832
Unrestricted state grants				7,320,107	-	7,320,107
Unrestricted investment earnings				20,325	-	20,325
Other				2,499,742	-	2,499,742
Total general revenues				17,565,589	-	17,565,589
Change in net assets				183,655	(55,192)	128,463
Net assets beginning of year (as restated)				10,818,082	212,522	11,030,604
Net assets end of year				\$ 11,001,737	157,330	11,159,067

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

Exhibit C

June 30, 2009

Assets

Liabilities:

Fund balances:

Total liabilities and fund balances

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WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,932,613
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	617,567
Internal Service fund assets that are to be included with governmental funds.	239,559
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	14,353,414
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(18,806)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(6,122,610)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 11,001,737</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 5,612,740	-	362,860	170,521	1,112,832	411,491	7,670,444
Tuition	807,288	-	-	-	-	-	807,288
Other	472,652	872,299	493	-	118,234	102	1,463,780
State sources	9,264,033	-	278	121	-	292	9,264,724
Federal sources	516,035	-	-	-	-	-	516,035
Total revenues	16,672,748	872,299	363,631	170,642	1,231,066	411,885	19,722,271
Expenditures:							
Instruction:	12,533,404	891,961	224,852	-	-	-	13,650,217
Support services							
Student services	373,380	-	-	-	-	-	373,380
Instructional staff services	609,775	-	-	-	-	-	609,775
Administration services	1,437,022	-	97,980	-	-	-	1,535,002
Operation and maintenance of plant services	3,459,209	-	60,409	-	-	-	3,519,618
Transportation services	695,916	-	18,854	110,093	-	-	824,863
	6,575,302	-	177,243	110,093	-	-	6,862,638
Other expenditures							
Facilities acquisition	-	-	-	254,007	546,555	-	800,562
Principal on long-term debt	-	-	-	-	-	910,000	910,000
Interest on long-term debt	-	-	-	-	-	253,438	253,438
Long-term debt services	-	-	-	-	-	800	800
AEA flowthrough	688,570	-	-	-	-	-	688,570
	688,570	-	-	254,007	546,555	1,164,238	2,653,370
Total expenditures	19,797,276	891,961	402,095	364,100	546,555	1,164,238	23,166,225

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Excess (Deficiency) of revenues over (under) expenditures	(3,124,528)	(19,662)	(38,464)	(193,458)	684,511	(752,353)	(3,443,954)
Other financing sources (uses):							
Insurance reimbursements for flood damage	1,265,728	-	-	-	671,416	-	1,937,144
Net short term note payable activity	-	-	-	-	539,869	-	539,869
Operating transfers in	-	-	-	-	-	691,476	691,476
Operating transfers out	-	-	-	-	(691,476)	-	(691,476)
	1,265,728	-	-	-	519,809	691,476	2,477,013
Net change in fund balances	(1,858,800)	(19,662)	(38,464)	(193,458)	1,204,320	(60,877)	(966,941)
Fund balances beginning of year	1,351,369	295,474	391,527	155,905	594,665	110,614	2,899,554
Fund balances end of year	\$ (507,431)	275,812	353,063	(37,553)	1,798,985	49,737	1,932,613

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ (966,941)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 54,971

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 994,470	
Depreciation expense	<u>(455,632)</u>	538,838

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 910,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(144,426)	
Other postemployment benefits	<u>(65,671)</u>	(210,097)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,346

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. (145,462)

Change in net assets of governmental activities (Exhibit B) \$ 183,655

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 77,066	239,559
Other receivables	20,956	-
Inventories	36,197	-
Capital assets, net of accumulated depreciation	34,900	-
Total assets	<u>169,119</u>	<u>239,559</u>
Liabilities		
Accrued salary and benefits	11,789	-
Total liabilities	<u>11,789</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	34,900	-
Restricted for health insurance	-	239,559
Unrestricted	122,430	-
Total net assets	<u>\$ 157,330</u>	<u>239,559</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Business Type School Nutrition	Governmental Activities Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 714,823	996,293
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	393,192	-
Benefits	58,753	-
Supplies	603,504	-
Depreciation	6,426	-
	1,061,875	-
Internal service programs:		
Benefits	-	1,141,755
Total operating expenses	1,061,875	1,141,755
Operating (loss)	(347,052)	(145,462)
Non-operating revenues:		
State sources	8,876	-
Federal sources	282,984	-
	291,860	-
Net change in fund net assets	(55,192)	(145,462)
Net assets beginning of year (as restated)	212,522	385,021
Net assets end of year	\$ 157,330	239,559

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	<u>Business Type</u>	<u>Governmental Activities</u>
	<u>School Nutrition</u>	<u>Internal Service</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 749,346	998,545
Cash payments to employees for services	(481,886)	(1,141,755)
Cash payments to suppliers for goods or services	<u>(541,195)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(273,735)</u>	<u>(143,210)</u>
Cash flows from non-capital financing activities:		
State grants received	8,876	-
Federal grants received	<u>208,254</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>217,130</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	(56,605)	(143,210)
Cash and cash equivalents beginning of year	<u>133,671</u>	<u>382,769</u>
Cash and cash equivalents end of year	<u>\$ 77,066</u>	<u>239,559</u>
Reconciliation of operating (loss) to net cash used in operating activities:		
Operating (loss)	\$ (347,052)	(145,462)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,426	-
Commodities used	74,730	-
Decrease in other receivables	34,523	2,252
(Increase) in inventory	(12,421)	-
(Decrease) in accrued payroll and benefits	<u>(29,941)</u>	<u>-</u>
	<u>\$ (273,735)</u>	<u>(143,210)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$74,730.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trusts	Agency Funds	Total
Assets			
Cash and pooled investments	\$ 105,664	76,759	182,423
Total assets	<u>105,664</u>	<u>76,759</u>	<u>182,423</u>
Liabilities			
Other payables	-	76,759	76,759
Net Assets			
Reserved for scholarships	75,645	-	75,645
Unreserved, undesignated	<u>30,019</u>	<u>-</u>	<u>30,019</u>
Total net assets	<u>\$ 105,664</u>	<u>-</u>	<u>105,664</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts
Additions:	
Local sources:	
Interest on investments	\$ 3,399
Contributions	<u>65,264</u>
Total additions	<u>68,663</u>
Deductions:	
Support services:	
Supplies	51,633
Scholarships	<u>2,200</u>
Total deductions	<u>53,833</u>
Change in net assets	14,830
Net assets beginning of year	<u>90,834</u>
Net assets end of year	<u>\$ 105,664</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly and Shell Rock, Iowa, and agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets we depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program revenues.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 499,142	-	-	499,142
Capital assets being depreciated:				
Buildings	19,039,021	795,063	314,207	19,519,877
Improvements other than buildings	450,319	-	39,882	410,437
Furniture and Equipment	3,805,409	199,407	1,779,145	2,225,671
Total capital assets being depreciated	23,294,749	994,470	2,133,234	22,155,985
Less accumulated depreciation for:				
Buildings	6,668,561	359,157	916,899	6,110,819
Improvements other than buildings	385,890	9,546	68,746	326,690
Furniture and Equipment	3,455,285	86,929	1,678,010	1,864,204
Total accumulated depreciation	10,509,736	455,632	2,663,655	8,301,713
Total capital assets being depreciated, net	12,785,013	538,838	(530,421)	13,854,272
Governmental activities, capital assets, net	\$ 13,284,155	538,838	(530,421)	14,353,414
Business type activities:				
Furniture and Equipment	\$ 207,094	27,362	-	234,456
Less accumulated depreciation	130,584	68,972	-	199,556
	\$ 76,510	(41,610)	-	34,900
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 455,632
Business type activities:				
Food service operations				\$ 6,426

(4) Beginning Balances Restated

Adjustments to the cost basis and accumulated depreciation of fixed assets due to an updated inventory are as follows:

<u>Governmental Activities</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings	\$ (314,207)	(916,899)	602,692
Improvements	(39,882)	(68,746)	28,864
Equipment	<u>(1,779,145)</u>	<u>(1,678,010)</u>	<u>(101,135)</u>
	<u>\$ (2,133,234)</u>	<u>(2,663,655)</u>	<u>530,421</u>

Net assets beginning of year	\$10,287,661
Restatement	<u>530,421</u>

Restated net assets	<u>\$10,818,082</u>
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Business Type Activities

Equipment	\$ <u>27,362</u>	<u>62,546</u>	<u>(35,184)</u>
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Net assets beginning of year	\$ 247,706
Restatement	<u>(35,184)</u>

Restated net assets	<u>\$ 212,522</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds Payable</u>	<u>Early Retirement Payable</u>	<u>Total</u>
Balance beginning of year	\$400,000	6,115,000	307,513	6,822,513
Additions	-	-	212,600	212,600
Reductions	<u>400,000</u>	<u>510,000</u>	<u>68,174</u>	<u>978,174</u>
Balance end of year	<u>\$ -</u>	<u>5,605,000</u>	<u>451,939</u>	<u>6,056,939</u>

The General Obligation Bonds were fully retired in 2009.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$650,558, \$597,385 and \$519,508 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$688,570 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2009 totaled \$68,174.

(9) Risk Management

Waverly-Shell Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contingencies

The District is currently involved in legal action in regards to a civil rights complaint involving a student. Per communication with legal counsel, the Iowa Civil Rights Commission has administratively closed the file. There is the possibility of a review request, however, its is unlikely to result in a judgment against the District.

(11) Revenue Bonds Payable

Details of the District's June 30, 2009 revenue bond are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Interest	Principal	Total
2010	3.56%	\$100,570	525,000	625,570
2011	3.56	81,880	545,000	626,880
2012	3.56	62,478	565,000	627,478
2013	3.56	42,364	585,000	627,364
2014	3.56	<u>21,538</u>	<u>605,000</u>	<u>626,538</u>
Total		<u>\$308,830</u>	<u>2,825,000</u>	<u>3,133,830</u>

Year Ending June 30,	Bond Issue of September 1, 2007			
	Interest Rates	Interest	Principal	Total
2010	4.50%	\$ 125,100	-	125,100
2011	4.50	125,100	-	125,100
2012	4.50	125,100	-	125,100
2013	4.50	125,100	-	125,100
2014	4.50	125,100	-	125,100
2015-2019	4.50	451,350	1,860,000	2,311,350
2020-2022	4.50	<u>81,450</u>	<u>920,000</u>	<u>801,450</u>
Total		<u>\$1,158,300</u>	<u>2,780,000</u>	<u>3,938,300</u>

The District has pledged future statewide sales and services tax revenues to repay the bonds issued in May, 2006 and September, 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$7,072,130. For the current year, \$753,826 of principal and interest was paid on the bonds and total local option sales and service tax revenues were \$1,112,832.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$678,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account. That account currently has a balance of \$744,919.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(12) Commitments

In April 2009, the voters of the District approved the issuance of \$18,925,000 of general obligation bonds for the construction of a new fifth through eighth grade attendance center.

(13) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 157 active and 29 retired members in the plan. Participants must be age 55 or older at retirement. All are included in this valuation.

The medical insurance coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/insurance benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$65,671
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>65,671</u>
Contributions made	-
Increase in net OPEB obligation	<u>65,671</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$65,671</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$65,671	0.00%	\$65,671

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$540,796, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$540,796. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,095,000 and the ratio of the UAAL to covered payroll was 5.4%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. A zero employee turnover rate is assumed.

No benefit continuation is assumed post the age of 65. Due to the actuarial cost method selected, benefits are not related to salary levels.

(14) Short Term Note Payable

In May 2009, the District obtained a \$675,000 line of credit from the First National Bank of Waverly to be used, if necessary, for working capital. The note is due December 31, 2010 and the interest rate is 3.25% on any amounts borrowed.

(15) Financial Condition

The District's Physical Plant and Equipment Levy had a \$37,553 deficit fund balance at June 30, 2009. The General Fund had a deficit balance of \$507,431 at June 30, 2009.

Required Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 9,941,512	714,823	10,656,335	11,868,770	11,868,770	(1,212,435)
State sources	9,264,724	8,876	9,273,600	8,816,942	8,816,942	456,658
Federal sources	516,035	282,984	799,019	460,000	460,000	339,019
Total revenues	<u>19,722,271</u>	<u>1,006,683</u>	<u>20,728,954</u>	<u>21,145,712</u>	<u>21,145,712</u>	<u>(416,758)</u>
Expenditures/Expenses						
Instruction	13,650,217	-	13,650,217	13,193,000	14,179,722	529,505
Support services	6,862,638	-	6,862,638	4,752,000	7,792,000	929,362
Non-instructional programs	-	1,061,875	1,061,875	1,070,000	1,070,000	8,125
Other expenditures	2,653,370	-	2,653,370	1,263,766	1,263,766	(1,389,604)
Total expenditures/expenses	<u>23,166,225</u>	<u>1,061,875</u>	<u>24,228,100</u>	<u>20,278,766</u>	<u>24,305,488</u>	<u>77,388</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,443,954)	(55,192)	(3,499,146)	866,946	(3,159,776)	(339,370)
Other financing sources (uses)	<u>2,477,013</u>	<u>-</u>	<u>2,477,013</u>	<u>-</u>	<u>-</u>	<u>2,477,013</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(966,941)	(55,192)	(1,022,133)	866,946	(3,159,776)	2,137,643
Balance beginning of year	<u>2,899,554</u>	<u>212,522</u>	<u>3,112,076</u>	<u>3,096,466</u>	<u>3,096,466</u>	<u>15,610</u>
Balance end of year	<u>\$ 1,932,613</u>	<u>157,330</u>	<u>2,089,943</u>	<u>3,963,412</u>	<u>(63,310)</u>	<u>2,153,253</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$4,026,722.

During the year ended June 30, 2009, expenditures exceeded the amended amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) /c)
Jul 1, 2008	\$0	\$541	\$541	0.0%	\$10,095	5.4%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Vocal Music	6,205	13,226	8,103	11,328
JH Variety Vocal	3,003	9,394	8,129	4,268
Instrumental Music	(217)	8,361	8,210	(66)
Elementary Band	1,616	3,586	2,992	2,210
Miscellaneous Sports	20	21,581	21,338	263
JH Track	90	690	694	86
Cross Country	46	2,466	1,368	1,144
Boys Basketball	2,642	12,838	14,363	1,117
JH Boys Basketball	17	1,300	1,277	40
Football	3,520	15,528	22,076	(3,028)
JH Football	164	1,567	8,686	(6,955)
Boys Soccer	2,390	15,385	19,258	(1,483)
Baseball	333	23,636	24,566	(597)
Boys Track	13	4,664	5,347	(670)
Boys Tennis	151	1,529	1,681	(1)
Boys Golf	26	2,312	2,342	(4)
Wrestling	(2,983)	28,542	30,544	(4,985)
Weightlifting	174	2,936	3,119	(9)
JH Wrestling	45	1,100	1,090	55
Girls Basketball	48	7,888	7,855	81
JH Girls Basketball	17	1,200	1,088	129
Girls Volleyball	239	12,305	12,303	241
JH Girls Volleyball	10	2,460	2,425	45
Girls Soccer	316	15,276	14,818	774
Girls Softball	313	19,602	12,734	7,181
Girls Track	23	3,742	3,457	308
Girls Tennis	133	1,168	1,867	(566)
Girls Golf	238	450	667	21
Dance Team	1,459	13,190	10,529	4,120
Masquers	3,319	6,922	6,743	3,498
Art Club	2,248	1,756	1,175	2,829
Boys W Club	999	-	200	799
Science Club	7,377	-	733	6,644
Energy Team	273	-	-	273
National Honor Society	53	2,067	366	1,754
Publications	1,746	-	22	1,724
Student Senate	299	5,779	3,437	2,641
Student Lounge	4,428	276	2,384	2,320
SADD	456	-	42	414
Class of 2009	233	4,457	4,457	233
Class of 2010	178	2,517	2,224	471
Class of 2011	(3,329)	-	-	(3,329)
Class of 2008	781	-	-	781
Varsity Club	490	1,974	2,394	70
Annual	19,076	28,427	27,554	19,949
Guidance Transcripts	2,821	546	-	3,367

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
French Club	570	2,601	2,594	577
Spanish Club Student Accounts	9,848	4,001	6,324	7,525
Spanish Club Operating Accounts	4,948	3,875	2,164	6,659
FFA	2,028	36,283	36,898	1,413
German Club	1,294	60	954	400
DECA	6,336	13,863	14,062	6,137
String Music	970	7,726	6,022	2,674
HS Football Cheerleaders	1,789	5,947	5,470	2,266
Band Uniform Cleaning	801	3,325	3,428	698
HS Basketball Cheerleaders	(63)	922	1,138	(279)
HS Wrestling Cheerleaders	95	982	826	251
JH Cheerleaders	1,253	843	1,284	812
JH Student Council	1,942	9,104	10,174	872
JH Activity	25,923	37,540	41,526	21,937
JH Annual	3,274	1,391	797	3,868
JH Cookie Sales	881	1,259	1,084	1,056
Trapshooting	2,059	-	751	1,308
Junior High Band Rental & Repair	1,368	1,150	1,252	1,266
Irving Account	617	1,529	2,195	(49)
Buxton TAG	557	1,014	729	842
Shell Rock Activity Fund	6,204	8,239	8,438	6,005
Carey Account	2,238	1,060	1,474	1,824
Carey Second Grade - Mrs. Howell	50	-	-	50
West Cedar Account	401	1,343	1,245	499
MOC	152	163	-	315
Elementary Chorus - Hansen	(9)	7,599	8,316	(726)
Athletic Director	251	13,321	10,743	2,829
Wizard of Oz	1,305	2,790	1,813	2,282
German Club Obligations	2,028	2,396	1,516	2,908
Other Activities	25,966	25,739	37,688	14,017
Pictures	205	7,468	5,214	2,459
Christmas Card	4,682	1,460	1,601	4,541
Change Fund	(1,861)	4,895	5,206	(2,172)
Books	10,344	115,729	119,818	6,255
Activity Tickets	4,364	20,623	18,827	6,160
School Lunch	3,721	1,115	316	4,520
Transportation pop	360	1,051	432	979
W-SR Wilderness	3,052	6,265	3,712	5,605
Instrumental Repair	138	5,086	5,064	160
HS Strings Fundraising	60	615	-	675
PE Stores	489	3,432	1,910	2,011
String Music Stores	(51)	133	593	(511)
Band Stores - High School	(1,793)	4,605	2,543	269
Calculators - HS Math Dept	874	6,428	7,097	205
SH Band Fundraiser	33,661	108,095	140,347	1,409
Home Ec Stores	732	495	1,075	152

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Ind Tech Stores - HS	1,426	8,755	4,307	5,874
HS Pop	4,900	5,914	5,811	5,003
High School Library	1,052	1,788	1,714	1,126
JH Courtesy	11	1,174	1,073	112
JH Band Stores	166	1,117	1,054	229
JH Tech Stores	1,259	405	1,680	(16)
JH Library	180	465	503	142
Shop Group Shell Rock	836	235	902	169
JH Chess Club	2	-	-	2
JH Video Club	295	43	278	60
Shell Rock Pop	1,130	386	739	777
Entrepreneurship Class	413	23,987	23,828	572
Recycling - Carlson	699	236	-	935
Bus Buddies	946	-	-	946
IT Vehicle Fund	117	-	-	117
JH Home Economics	5,158	4,206	3,265	6,099
Southeast Library	104	100	108	96
Carey Library	91	137	57	171
Irving Library	45	745	538	252
Shell Rock Library	20	-	-	20
JH Art	2,549	1,925	2,456	2,018
West Cedar Library	235	117	56	296
Southeast School	4,864	6,162	4,722	6,304
Business Office - Miscellaneous	(167)	8,762	6,928	1,667
TAG Award	2,158	558	1,333	1,383
JH Plus Program	-	1,368	1,385	(17)
B&K Homeroom	304	-	-	304
HS Technology Grants	(1,844)	8,720	6,445	431
Irving Transportation Donation	1,487	1,894	-	3,381
Mr. Winter's Account	4,651	761	2,635	2,777
HS Character Counts	330	-	-	330
HS Vocal Music Fund Raising	262	440	-	702
HS Vocal Music	1,733	912	152	2,493
HS Vocal Music Cheese and Sausage	-	12,058	7,056	5,002
HS Vocal Music Account	6,632	-	2,497	4,135
HS Musical	4,818	8,020	11,203	1,635
HS Vocal Music Uniform Account	3,441	-	768	2,673
High School Jazz	332	1,650	1,204	778
String Rental	(28)	28	-	-
Transportation - West Cedar	2,542	4,132	2,653	4,021
Advisor/Advisor	733	840	656	917
Elem Art Contest	33	920	169	784
Elem Art	22	93	-	115
Mrs. Ribich Class Project	39	-	-	39

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elem & JH String Rentals	533	1,403	-	1,936
Elem & JH String Stores	(173)	2,488	2,442	(127)
JH Tech Center	80	198	169	109
JH Math	345	-	122	223
PLUS Program Math Competition	445	1,040	686	799
SH Transportation Monies	363	325	221	467
HS Donation (Bock)	4,358	-	-	4,358
HS Front Door Donations	500	-	-	500
Prairie Project	-	8,847	-	8,847
Team Sigma	3,676	1,470	945	4,201
Team GR8	137	1,343	940	540
Dream Team	1,900	1,728	1,639	1,989
Team Axis	604	1,150	724	1,030
JH Teachers Associates	-	-	17	(17)
JH SLI	372	349	353	368
HS Advance Placement	2,541	2,412	1,883	3,070
JH Juice	218	-	-	218
Bowling Account	47	250	288	9
	295,474	918,259	937,921	275,812
Less interaccount transfers		(45,960)	(45,960)	
Total	295,474	872,299	891,961	275,812

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	Carey Parents	William Wood Scholarship	Jr High Jamison	W. Cedar Parents	Dierks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE	DECA Student Account
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	\$ 9,319	1,465	2	10,576	51,282	22,898	431	130	(106)
	\$ 9,319	1,465	2	10,576	51,282	22,898	431	130	(106)
Net Assets									
Reserved for scholarships	\$ -	1,465	-	-	51,282	22,898	-	-	-
Unreserved	9,319	-	2	10,576	-	-	431	130	(106)
	\$ 9,319	1,465	2	10,576	51,282	22,898	431	130	(106)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	Irving T. Hirst	HS Special Education	Jr High Rohne	Shell Rock Rozen		Irving Crandall	Shell Rock Huberg		Shell Rock Greenlee	Junior High Dueker		Jr High Harrell
				\$	\$		\$	\$		\$	\$	
Assets												
Cash and pooled investments	\$ (11)	1,953	4	253	101	282	508	214	355			
	\$ (11)	1,953	4	253	101	282	508	214	355			
Net Assets												
Reserved for scholarships Unreserved	\$ - (11)	- 1,953	- 4	- 253	- 101	- 282	- 508	- 214	- 355			
	\$ (11)	1,953	4	253	101	282	508	214	355			

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICTCombining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	HS Inclusion	HS Art Kiln	Shell Rock Jessica Johnson	West Cedar Cook	High School Podhajsky	Joan Greenlee WalMart	Southeast Parents	Total
Assets								
Cash and pooled investments	\$ 35	403	75	1,068	675	124	3,628	105,664
	<u>35</u>	<u>403</u>	<u>75</u>	<u>1,068</u>	<u>675</u>	<u>124</u>	<u>3,628</u>	<u>105,664</u>
Net Assets								
Reserved for scholarships	\$ -	-	-	-	-	-	-	75,645
Unreserved	35	403	75	1,068	675	124	3,628	30,019
	<u>35</u>	<u>403</u>	<u>75</u>	<u>1,068</u>	<u>675</u>	<u>124</u>	<u>3,628</u>	<u>105,664</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	Carey Parents	William Wood Scholarship	W. Cedar Parents	Diercks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE
Revenues:							
Local sources:							
Interest on investments	-	-	-	1,503	1,896	-	-
Contributions	15,942	-	20,603	-	-	-	-
	<u>15,942</u>	<u>-</u>	<u>20,603</u>	<u>1,503</u>	<u>1,896</u>	<u>-</u>	<u>-</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	12,651	-	13,382	-	-	-	-
Other	-	-	-	2,200	-	-	-
	<u>12,651</u>	<u>-</u>	<u>13,382</u>	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	3,291	-	7,221	(697)	1,896	-	-
Balance beginning of year	<u>6,028</u>	<u>1,465</u>	<u>3,355</u>	<u>51,979</u>	<u>21,002</u>	<u>431</u>	<u>130</u>
Balance end of year	<u>\$ 9,319</u>	<u>1,465</u>	<u>10,576</u>	<u>51,282</u>	<u>22,898</u>	<u>431</u>	<u>130</u>

Waverly-Shell Rock Community School DistrictCombining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	HS Special Education	Irving Hirst	West Cedar Cook	Shell Rock Rozen	Irving Crandall	Shell Rock Huberg	Shell Rock Greenlee
Revenues:							
Local sources:							
Interest on investments	-	-	-	-	-	-	-
Contributions	302	-	1,500	-	-	-	-
	<u>302</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:							
Instruction:							
Regular instruction:	692	-	439	51	-	-	15
Supplies	-	-	-	-	-	-	-
Other	<u>692</u>	<u>-</u>	<u>439</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>15</u>
Excess (deficiency) of revenues over (under) expenditures	(390)	-	1,061	(51)	-	-	(15)
Balance beginning of year	<u>2,343</u>	<u>(11)</u>	<u>7</u>	<u>304</u>	<u>101</u>	<u>282</u>	<u>523</u>
Balance end of year	<u>\$ 1,953</u>	<u>(11)</u>	<u>1,068</u>	<u>253</u>	<u>101</u>	<u>282</u>	<u>508</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	Jr High Jamison	Jr High Harrell	High School Podhajsky	HS Inclusion	HS Art Kiln	Southeast Parents	DECA Student Account
Revenues:							
Local sources:							
Interest on investments	-	-	-	-	-	-	\$ -
Contributions	-	-	-	-	-	6,379	20,538
	-	-	-	-	-	6,379	20,538
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	-	-	128	-	-	2,751	21,216
Other	-	-	-	-	-	-	-
	-	-	128	-	-	2,751	21,216
Excess (deficiency) of revenues over (under) expenditures	-	-	(128)	-	-	3,628	(678)
Balance beginning of year	2	355	803	35	403	-	572
Balance end of year	<u>2</u>	<u>355</u>	<u>675</u>	<u>35</u>	<u>403</u>	<u>3,628</u>	<u>\$ (106)</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICTCombining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

	Junior High Ducker	Joan Greenlee WalMart	Jr High Rohne	Shell Rock Jessica Johnson	Total
Revenues:					
Local sources:					
Interest on investments	-	-	-	-	3,399
Contributions	-	-	-	-	65,264
	-	-	-	-	68,663
Expenditures:					
Instruction:					
Regular instruction:					
Supplies	-	308	-	-	51,633
Other	-	-	-	-	2,200
	-	308	-	-	53,833
Excess (deficiency) of revenues over (under) expenditures	-	(308)	-	-	14,830
Balance beginning of year	214	432	4	75	90,834
Balance end of year	214	124	4	75	105,664

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
"Catch The Spirit" Foundation	\$ 2,209	5,065	6,262	1,012
HS Benevolent	253	180	210	223
Irving Social Fund	5	310	250	65
High School Food Drive	500	-	100	400
Maintenance Courtesy	88	55	126	17
Transportation Courtesy	14	207	221	-
Irving Parent Account	8,297	21,744	21,453	8,588
Junior High Parent Account	2,965	17,577	12,377	8,165
Secretary Courtesy	3	115	106	12
Concessions - Athletic Boosters	27,030	94,085	102,115	19,000
Membership - Athletic Boosters	17,441	40,488	47,094	10,835
Athletic Boosters - Facility/Equipment	2,100	700	-	2,800
Athletic Boosters - Addl Events	17,153	17,518	15,856	18,815
Athletic Booster Resale	5,377	17,545	18,493	4,429
Athletic Boosters Budgeted	1,474	-	127	1,347
Athletic Boosters Wishlist	113	-	-	113
Athletic Boosters Operational	100	-	-	100
USSSA Baseball	2,167	1,607	3,774	-
Employee Wellness	784	1,140	1,098	826
CPR/AED Fund	12	-	-	12
	<u>\$ 88,085</u>	<u>218,336</u>	<u>229,662</u>	<u>76,759</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	7,670,444	7,251,512	7,048,847	6,376,517	5,495,828	5,065,151
Tuition	807,288	799,477	942,258	909,463	783,604	709,076
Other	1,463,780	1,751,178	1,809,680	1,825,532	1,501,415	1,265,994
State sources	9,264,724	8,592,584	8,162,461	7,780,538	7,529,667	7,174,426
Federal sources	516,035	393,148	417,334	449,712	328,804	464,678
Total	<u>19,722,271</u>	<u>18,787,899</u>	<u>18,380,580</u>	<u>17,341,762</u>	<u>15,639,318</u>	<u>14,679,325</u>
Expenditures:						
Instruction	13,650,217	12,106,920	11,343,858	11,075,422	10,234,785	9,190,226
Support services:						
Student	373,380	348,133	342,361	344,924	334,727	323,479
Instructional staff	609,775	597,333	563,623	545,859	562,566	581,294
Administration	1,535,002	1,459,945	1,374,027	1,323,877	1,397,024	1,392,269
Operation and maintenance of plant	3,519,618	1,674,624	1,361,334	1,451,174	1,170,050	1,077,131
Transportation	824,863	702,297	663,258	549,698	519,403	547,643
Other expenditures:						
Facilities acquisition	800,562	2,640,810	4,686,356	2,643,509	455,770	356,576
Debt Service						
Principal	910,000	880,000	855,000	470,000	460,000	455,000
Interest and service charges	254,238	259,853	179,660	21,697	42,743	57,221
AEA flowthrough	688,570	633,205	596,701	546,568	544,101	541,453

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	\$ 10,651
Food Distribution (non-cash)	10.555	FY09	74,730
National School Lunch Program	10.555	FY09	197,603
			<u>282,984</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6840-G-09	175,039
Title I Neglected and Delinquent Children	84.012	6840-D-09	56,257
Improving Teacher Quality - States Grants	84.367	FY09	23,241
Grants for Assessments and Related Activities	84.369	FY09	12,649
Vocational Education - Basic Grants to States	84.048	FY09	13,035
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY09	5,241
Area Education Agency 267			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	98,303
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY09	<u>2,336</u>
Total			<u>\$ 669,085</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Waverly-Shell Rock Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Waverly-Shell Rock Community School District:

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Waverly-Shell Rock Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waverly-Shell Rock Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Waverly-Shell Rock Community School District's financial statements that is more than inconsequential will not be prevented or detected by Waverly-Shell Rock Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Waverly-Shell Rock Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

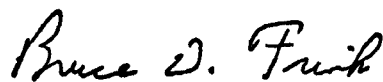
As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Waverly-Shell Rock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Waverly-Shell Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Waverly-Shell Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2010

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Waverly-Shell Rock Community School District:

Compliance

We have audited the compliance of Waverly-Shell Rock Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Waverly-Shell Rock Community School District's management. Our responsibility is to express an opinion on Waverly-Shell Rock Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Waverly-Shell Rock Community School District's compliance with those requirements.

In our opinion Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Waverly-Shell Rock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Waverly-Shell Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2010

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.012 - Title I Neglected and Delinquent ChildrenSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Numbers: 6840-G-09

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.012 Title I Neglected and Delinquent

Agency Numbers: 6840-D-09

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2009

US Department of Agriculture

Passed through Iowa Department of Education

III-A-09 Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the amended certified budget amounts in the other expenditures function.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-H-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-I-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			1,112,832
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$421,356		
Debt service for school infrastructure:			
Revenue debt	<u>691,476</u>		<u>1,112,832</u>
Ending balance		\$	<u>-</u>

IV-L-09 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2009. The Physical Plant and Equipment Levy had a deficit balance of \$37,553 at June 30, 2009. The General Fund had a deficit balance of \$507,431 at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the Physical Plant and Equipment Levy, General Fund and student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.